### 3.2 EMERGING INVESTMENT MANAGER POLICY

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I. POLICY OBJECTIVES

The objective of this Emerging Investment Manager Policy (“Policy”) is to identify investment firms with the potential to add value to the LACERS investment portfolio (“Fund”) that would otherwise not be identified by the standard LACERS institutional investment manager search process. The Board of Administration (“Board”) believes that smaller investment management organizations may generate superior performance returns because of the increased market flexibility associated with smaller asset bases. The Policy provides criteria for LACERS to identify appropriate investment management organizations in their early business stages.

Consistent with the Board’s fiduciary responsibility, the goal of this Policy is to locate and fund emerging investment managers with successful histories of generating positive alpha at an appropriate level of active risk. LACERS may consider an emerging investment manager mandate as part of any investment manager search undertaken by the Board, after Staff and the appropriate Fund Consultant have determined that the emerging manager return and risk characteristics of the mandate under consideration are no less favorable than comparable, non-emerging investment manager opportunities available for that mandate.

The Board recognizes that emerging investment managers do not possess the organizational depth and resources of larger investment management firms, and thus represent a greater business risk. The Board also recognizes that prudent management of the Fund requires that emerging investment managers, once retained, will manage significantly smaller amounts of Fund assets than larger investment management firms. Each of these issues will result in greater oversight and administrative responsibilities for Fund staff, and will consequently be part of the evaluation whenever emerging investment managers are being considered for inclusion in a manager search.

Managers hired pursuant to this Emerging Investment Manager Policy will be held to accountable to the same performance, reporting, and retention standards as all other LACERS investment managers within the same asset class.

II. EMERGING INVESTMENT MANAGER GOALS

Public Markets: The Emerging Investment Manager aspirational policy goal for public market asset classes is 10%. Two metrics will be calculated at least annually to compare actual results versus the goal: 1) Asset Class Metric: total market value of all emerging investment managers accounts within a respective public market asset class divided by total market value of the respective public market asset class; and 2) Manager Search Metric: total dollars approved for contract with an Emerging Manager(s) divided by the total dollars approved for funding the respective investment manager search.

Private Markets: The Emerging Investment Manager aspirational policy goal for private market asset classes is 10%. Two metrics will be calculated at least annually to compare actual results versus the goal: 1) Asset Class Metric: total dollar commitments of all emerging investment manager partnerships within a respective asset class divided by the total dollar market value of the respective asset class; and 2) Manager Search
III. EMERGING INVESTMENT MANAGER MINIMUM CRITERIA

The following minimum criteria for firms to qualify as LACERS Emerging Investment Manager status under this Policy are as follows:

A. Public Market Asset Classes – U.S. Equities, Non-U.S. Equities, Core Fixed Income

1. The firm will have no more than $2 billion in total firm assets under management at the time of hire.

2. The firm must have a minimum of $50 million assets under management in the strategy being considered.

3. The firm must have been in existence for a minimum of one year.

4. The portfolio manager must have a minimum of five years of verifiable experience managing the strategy being considered. The experience must include a GIPS-compliant performance track history attributable to the portfolio manager for the most recent 36-month period of the five-year verifiable experience requirement.

5. No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.

6. At the time of hire, funding in the investment strategy shall not exceed 20% of the total strategy AUM at the time of actual funding.

B. Private Market Asset Classes – Private Equity, Real Assets (not including Real Estate), Credit Opportunities

1. The General Partner will have no more than $500 million in firm-wide assets plus unfunded commitments under management at the time LACERS makes its commitments.

2. First or second-time institutional fund for a General Partner.

3. The Fund* shall have a minimum fund size of $100 million in committed capital inclusive of LACERS’ pending commitment.

4. The firm must have been in existence for a minimum of one year.

5. The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm’s key individuals and/or the specific team associated with the strategy being considered.
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6. No person or entity, other than the principals and/or employees of the firms, shall own more than forty-nine percent (49%) interest of the firm.

7. No Limited Partner can represent more than 30% of the total Fund’s capital.

8. LACERS’ commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or $20 million, whichever is lower.

*Excludes co-investments or sidecar investment vehicles.

C. Private Market Asset Classes – Private Real Estate

1. The General Partner will have no more than $500 million in firm-wide assets plus unfunded commitments under management at the time LACERS makes its commitment.

2. First or second-time institutional fund for a given General Partner.

3. The Fund shall have a minimum fund size of $150 million in committed capital inclusive of LACERS pending commitment.*

4. The firm must have been in existence for a minimum of one year.

5. The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm’s key individuals and/or specific team associated with the strategy being considered.

6. No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.

7. No client can represent more than 30% of the total Fund’s capital.

8. LACERS commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or $20 million, whichever is lower.

*Excludes co-investments or sidecar investment vehicles.

IV. PROVISIONS FOR POST-EMERGING FIRMS

A. Public Markets

LACERS expects that successful emerging investment management firms will grow beyond the maximum $2 billion in assets under management. An emerging investment manager firm under contract to LACERS that successfully grows its assets under management and meets the minimum investment manager search criteria may be considered for a larger-sized mandate subject to (at minimum) meeting the Manager Search and Selection Criteria provided in the LACERS Manager Search and Selection Policy.
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B. Private Markets
   LACERS expects that successful emerging investment management firms will grow beyond raising first and second-time partnership funds. Opportunities for participating in subsequent funds may be considered provided that the strategy meets the criteria of LACERS’ Alternative Investment Policy, Real Estate Policy, Credit Opportunities Policy, or another asset class policy unique to a respective private markets mandate.

V. REPORTING

Staff will report to the Board on the status of Emerging Investment Managers hired and retained on an annual calendar year basis. The annual report will include:

1) Names of Emerging Investment Manager firms hired during the calendar year.
2) Dollar amounts awarded to Emerging Managers.
3) Report of Emerging Investment Manager Goals Metrics pursuant to Section II of this Policy.
4) List of all investment manager searches.
5) Staff and consultant efforts to increase the visibility of LACERS Emerging Investment Manager searches and Emerging Investment Manager representation within the total Fund portfolio.
6) Emerging Investment Manager performance data.